



United States Department of Agriculture
Food and Nutrition Service

Southeast Region

Reply to

Attn. of: SA 9-2 General

August 20, 1998

Subject: Policy Memorandum 226.08-02, Revision 1: Audit Requirements - Child and Adult Care Food Program (CACFP) Proprietary Title XIX and Title XX Institutions

To: All State CACFP Directors
Southeast Region

The attached memorandum from our National Office puts into effect for the CACFP a significant provision of 7 CFR Part 3052. This provision gives State agencies the responsibility and the authority for establishing audit policy for Proprietary Title XIX and Title XX institutions under their authority with regard to any Federal funds received from USDA. Please read the attached memorandum carefully. We recognize that this is a major change in policy, and that there may be questions which you wish to have answered in writing. Please do not hesitate to send us your questions by letter, telephone, or email, and we will try to answer them quickly.

This memorandum supersedes and replaces Policy Memorandum 226.08-02, dated July 22, 1998. Please remove the outdated policy from your Policy Notebook and insert this memorandum.

CHARLIE SIMMONS
Regional Director
Special Nutrition Programs

Attachment

August 13, 1998

Subject: Audit Requirements - Child and Adult Care Food Program (CACFP)
Proprietary Title XIX and Title XX Institutions

To: Program Directors
Special Nutrition Programs
All Regions

This is to advise that the Departmental regulation, 7 CFR Part 3052, addresses the audit requirements of for-profit subrecipients and supersedes the audit requirements established at 7 CFR 226.8(a) for CACFP Proprietary Title XIX and Title XX institutions. It also supersedes the policy memorandum, Audit Requirements - Proprietary Title XIX and Title XX Centers, dated January 18, 1991 (attached).

The only Departmental regulation which addresses audit requirements for State and local governments and not-for-profit organizations operating United States Department of Agriculture (USDA) programs is 7 CFR Part 3052. Part 3052 implements the revised OMB Circular A-133, published June 30, 1997. OMB Circular A-133 made major changes to the audit requirements, raising the Federal assistance threshold to \$300,000 for organizationwide and program-specific audits of public or nonprofit entities. Additionally, the Departmental regulation addresses audit requirements of for-profit subrecipients at 7 CFR 3052.210(e) as follows:

"For-profit subrecipient. Since this part [7 CFR Part 3052] does not apply to for-profit subrecipients, the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The contract with the for-profit subrecipient should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the contract, and post-award audits."

We are therefore requesting that you notify State agencies that they have the authority and responsibility for establishing audit policy for Proprietary Title XIX and Title XX institutions under their oversight with regard to any Federal funds received from USDA. However, any audit policy established by a State agency must not conflict with the authority of both the State agency and USDA to perform, or cause to be performed, audits, reviews, agreed-upon procedures, and other monitoring activities. Additionally, the institutions must comply with the audit requirements of all other Federal departments from which they receive funding.

We believe that State agencies should be encouraged to continue to require audits of Proprietary Title XIX and Title XX institutions. However, we believe that the threshold for these audits previously established at \$25,000 should be raised, given the cost of the audits relative to the benefits. Regardless of the decision made by the State agency with regard to audits of these select Proprietary Title XIX and Title XX institutions, the regulatory requirements of 226.6(l) with regard to reviews must be met.

Please contact Terry Hallberg at (703) 305-2590 if you have any questions or require further clarification.

STANLEY C. GARNETT
Director
Child Nutrition Division

Attachment